

Retiree

NEWS Fall 2006

Indiana Public Employees' Retirement Fund

PERF ASSETS GROW BY NEARLY \$1.3 BILLION

FY '06 results include 10.4 percent investment return

The Public Employees' Retirement Fund (PERF) grew by nearly \$1.3 billion while its investments delivered a 10.4 percent annualized return in the fiscal year ending June 30, 2006.

PERF's solid investment management delivered the annualized return to exceed the targeted 7.25 actuarial rate of return.

Assets under management in the plan grew to approximately \$14.6 billion during the 2006 fiscal year, keeping the plan on a solid footing for continued good health.

"PERF's growth in assets under management demonstrates the strong overall health of the plan," said Doug Kryscio of Mercer Investment Consulting. "Their investment performance stands up well in comparison to many public pension plans in the nation."

PERF Executive Director David Adams noted that the positive 2006 performance is part of a long-term strategy to manage risk through responsible diversification of the fund's investments.

"With prudent management, we continue to maintain a strong and healthy retirement plan," Adams said. "This gives our contributing employers, members and retirees every reason to be confident in the retirement fund."

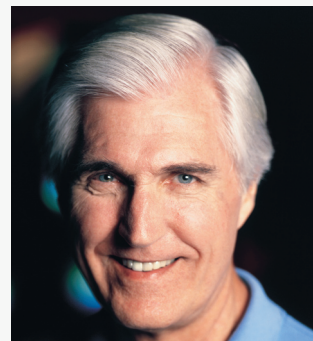
Avoiding Surprises: Keep Your Information Current

Life doesn't stop at retirement. Has any of the following happened since you began receiving PERF retirement benefits?

- Your beneficiary and/or spouse passed away.
- You married for the first time.
- You remarried after the death of your spouse.

If so, please contact a customer service representative at our toll-free number to make sure that the beneficiary we have on file is correct.

Also, be sure to keep your name and address current. Go to PERF Interactive at www.perf.in.gov or call (888) 526-1687 to update this information.



Do You Know Someone Getting Ready to Retire?

The Bridge to Retirement Helps Members Understand the Retirement Process

Below are some dates for submitting retirement applications to PERF. You can find the Bridge to Retirement brochure and Dates to Remember on PERF Interactive at www.perf.in.gov.

If Retirement Date Is: Application Deadline:

Apr. 1, 2007	Oct. 1, 2006
May 1, 2007	Nov. 1, 2006
Jun. 1, 2007	Dec. 1, 2006
Jul. 1, 2007	Jan. 1, 2007

A Raise for Retirees

This year, both a Cost of Living Adjustment (COLA) and 13th Check have been approved. For those who retired or became disabled before Jan. 1, 2006, benefit payments will increase by 2 percent. This COLA becomes effective Jan. 1, 2007.

Members who retired or were disabled before Jan 1, 2006 AND are entitled to monthly benefits on Nov. 1, 2006 will receive the 13th check. Beneficiaries are also entitled to this payment, which will be made no later than Dec. 1, 2006. This is a one-time payment, not a monthly increase.

Advantages of Direct Deposit

- Have your payment automatically deposited into your account
- Receive your benefit no later than the 15th of every month
- Receive an annual statement showing all PERF direct deposits
- Start (or end) direct deposit at any time

All you have to do is complete the direct deposit form, sign it and send it to PERF by mail or fax. Download forms from www.perf.in.gov or call (888) 526-1687.



Retirees Get New Web Service

PERF Interactive has introduced a new feature that allows retirees to view their monthly benefit amounts. This is one of a growing collection of web-based services offered, including:

- View your monthly benefit amount
- Change your address
- Change your beneficiary's address

To learn how to sign up for PERF Interactive, go to www.perf.in.gov and click "Log In Here" or ask a customer service representative by calling (888) 526-1687.

Alternative Class of Investments Returns 21 Percent in FY '06

The Public Employees' Retirement Fund (PERF) of Indiana delivered an estimated annualized return of 21 percent in its alternative asset class for the fiscal year ending June 30, 2006.

This asset class includes investments such as private equity, real estate, timber, oil and natural gas. Examples of investments included in these returns are:

■ **House Investments:** This Indiana based real estate fund invests primarily in the Midwest and provides financing for developments of condominiums, medical office buildings and assisted living/retirement communities, to name just a few.

■ **Lindsay Goldberg & Bessemer:** This \$2 billion dollar fund invests in closely held or family owned mature businesses.

"Making sound investments requires significant time and research on the part of investment professionals," said Executive Director David Adams. "As prudent managers, PERF has a responsibility not only to be highly selective in its investment decisions but to continue to seek diversification opportunities to manage risk and ensure the fund's long-term stability. The alternatives class assists in accomplishing this goal."

To date, PERF has committed approximately \$421 million to the alternative class of investments. The majority of these commitments — approximately \$305 million — have been made since 2005.

The alternative class of investments provides PERF the opportunity to manage risk and diversify its assets into areas other than traditional public equity and fixed income markets. Sound financial management layers investments over time and across a range of investment classes. This strategy avoids absorbing the impact of significant market swings and helps to stabilize the employer payments to the fund.

In August, investment professionals recommended and the PERF Board of Trustees approved an allocation of 15 percent of its investment assets to the alternative class. The target date for fulfilling the allocation is 2012. To date, PERF has invested approximately 0.6 percent of its assets in the alternative class.

"In raising exposure to alternative investments, PERF is seeking to improve its long-term returns while managing risk through greater diversification," said Pete Keliuotis, of Strategic Investment Solutions. "This is a prudent strategy by PERF's management."



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